GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:3687
ANSWERED ON:19.04.2005
SUBSIDY
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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the subsidies given by the Government for industrial development and exports are WTO compatible;

(b) if not, the steps being taken to make them WTO compatible; and

(c) the time frame set for completing the work?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI E.V.K.S. ELANGOVAN)

(a): Any programme for the industry or exports by the Central or State Governments needs to be designed and implemented taking into account commitments undertaken by India in the World Trade Organization (WTO). As per the WTO Agreement on Subsidies and Countervailing Measures, except as provided in the Agreement on Agriculture, all subsidies contingent upon export performance (export subsidies) and/or contingent upon the use of domestic over imported goods are prohibited. However, this prohibition shall not apply to developing Members like India with per capita GNP of less than US $ 1000 per annum, subject to fulfillment of other requirements in the Agreement on Subsidies and Countervailing Measures. Most other subsidies, mainly production subsidies, fall in the `actionable` category. Actionable subsidies are not prohibited. However, they are subject to challenge either through multilateral dispute settlement or through countervailing actions, in the event they cause adverse effects to the interest of other Member, in accordance with WTO disciplines. Some of the government schemes/programmes have been subject to countervailing actions.

(b) and (c): One of the duty neutralization schemes of the government which has been subject to countervailing action by certain countries is the Duty Entitlement Pass Book (DEPB) Scheme. The DEPB Scheme will continue to be operative until it is replaced by a new scheme which will be drawn up in consultation with exporters.